

MINUTES

**MONTANA SENATE
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By **CHAIRMAN BILL GLASER**, on February 5, 2003 at 3:00 P.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Sen. Bill Glaser, Chairman (R)
Sen. Bob Story Jr., Vice Chairman (R)
Sen. Jerry W. Black (R)
Sen. Edward Butcher (R)
Sen. Mike Cooney (D)
Sen. Jim Elliott (D)
Sen. Royal Johnson (R)
Sen. Jeff Mangan (D)
Sen. Don Ryan (D)
Sen. Tom Zook (R)

Members Excused: None.

Members Absent: None.

Staff Present: Tari Elam, Committee Secretary
Connie Erickson, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 90, 1/29/2003; SB 92, 1/29/2003
Executive Action:

[PLEASE NOTE: THE TAPE SPEED FOR THE FIRST TWO-THIRDS OF TAPE 1, SIDE A, WAS MISTAKENLY RECORDED AT HALF-SPEED. PLEASE ADJUST ACCORDINGLY]

HEARING ON SB 90

Sponsor: SENATOR SAM KITZENBERG

Proponents: Madalyn Quinlan, Chief of Staff, Office of
Public Instruction (OPI)
Jack Copps, Executive Director, Montana
Quality Education Coalition (MQEC)
Erik Burke, MEA-MFT
Dave Puyear, Montana Rural Education
Association (MREA)
Lance Melton, Montana School Boards
Association (MTSBA), *in absentia*

Opponents: NONE

Informational Witnesses: Jim Standaert, Fiscal Analyst,
Legislative Fiscal Division

Opening Statement by Sponsor:

{Tape: 1; Side: A; Approx. Time Counter: 0.5 - 3.5}

SENATOR SAM KITZENBERG, SD 48, Valley, Phillips, and Daniels Counties, brought forward SB 90, a proposal to allow for annual inflation-related adjustments to the base funding program amounts for school district basic entitlements and per-ANB entitlements. He outlined the history of the proposal, noting the idea has been, and continues to be, a very good idea. SEN. KITZENBERG believes indexing of state support funding for K-12 schools is one of the single most important improvements in financing public schools. He stated failure to recognize inflation as a factor in the cost of education compounds losses. In reference to Lance Melton's, assertion regarding the cost of education exceeding state funding by \$64,000,000 due to inflation since 1994, SEN. KITZENBERG said local levies needed to address this shortfall are inherently inequitable. Since local districts must account for shortages, the result has been higher local taxes, increased student fees, and larger class sizes.

Proponents' Testimony:

{Tape: 1; Side: A; Approx. Time Counter: 3.6 - 15.4}

Madalyn Quinlan, Chief of Staff, OPI, on behalf of the State Superintendent of Public Instruction, conveyed her organization's support of **SB 90**. **Ms. Quinlan** explained nothing in current law considers the impact of inflation on the cost of education. The basic assumption is schools can continue to provide the present level of educational services with no adjustment for inflation. Also, schools do not receive any type of pay-plan increase, such as those provided to state employees. She believes legislative consideration of this issue would go a long way toward addressing teacher recruitment issues. **Ms. Quinlan** outlined recommendations made by the Governor's Advisory Council, noting the Council recommended that government should recognize an inflationary factor in its provisions for K-12 base-aid. Adjusting the present formula by this factor will allow for recognition of both changes in enrollment and changes in actual costs. She also outlined the response of the State Superintendent to the Council's recommendations.

Jack Copps, Executive Director, MQEC, indicated his organization supports this bill. **Mr. Copps** stated **SB 90** is a bad bill if you believe present state funding is excessive. If, however, you believe K-12 education is adequately funded but subject to inflationary pressures, then it is a good bill. **Mr. Copps** emphasized the state's constitution requires a basic system of quality schools be provided by the legislature. He stated "quality" is not an aspiration, it is an undisputable obligation of the state. Quality schools require adequate, consistent, and predictable resources. **Mr. Copps** believes **SB 90** addresses the issue directly.

Erik Burke, MEA-MFT, indicated his organization's support of **SB 90**. **Mr. Burke** believes had this issue been addressed ten years ago much of the legislation presently before this body would not be necessary. Many of the issues currently being considered have become concerns because funding has been inadequate. He stated school districts have made every attempt to try and pay teachers more, but less and less of the money is coming from the state. **Mr. Burke** urged the Committee's favorable consideration of the bill and expressed his appreciation to **SEN. KITZENBERG**.

Dave Puyear, MREA, expressed the support of both his organization and **MTSBA**, on behalf of **Lance Melton**, for **SB 90**. **Mr. Puyear** indicated **Mr. Burke's** statements regarding legislation presently being considered are exactly on target. He believes there is something very important about having a routine measure available for addressing changing economic circumstances. This bill provides for that need.

Questions from Committee Members and Responses:

{Tape: 1; Side: A; Approx. Time Counter: 15.7 - 30.3}

SENATOR JEFF MANGAN, referring to meetings held across the state by the Governor's Task Force on Education Funding at which the topic of indexing was discussed, asked **Ms. Quinlan** to convey the general response. **Ms. Quinlan** indicated there was a lot of support for a built-in inflator to recognize inflation occurs in school district budgets.

SENATOR TOM ZOOK, referring to **Ms. Quinlan's** statement regarding seventy-five percent (75%) of all school expenditures arising from salaries, stated salaries and benefits are in most instances negotiated. He asked **Ms. Quinlan** if, in fact, the legislature is injecting itself into the negotiations process by this measure. **Ms. Quinlan** responded the legislature is involved in the process by providing funding; schools work within those established parameters to decide what they can afford as far as pay scales. **SEN. ZOOK** asked if he is correct in understanding the Helena School District reached a negotiated agreement just recently. **Ms. Quinlan** responded, although the agreement is not finalized, it appears they are headed in that direction. **SEN. ZOOK** also stated in his own area districts are reaching agreements in the absence of anticipated decisions by the legislature. **Ms. Quinlan** replied many school districts are choosing to move forward and do the best they can.

SEN. ZOOK conveyed his understanding of teachers considering themselves professionals. He is concerned by the distinction between teachers and other professionals, with teachers being the single profession that routinely seeks additional state funds in order to cover inflationary costs. He asked **Mr. Puyear** for his thoughts on why teachers hold this position. **Mr. Puyear** stated he sees the issue from a different perspective. He sees other professionals covering inflationary increases by increasing fees. He sees this each time he uses their services. Since teachers are a part of government, and education revenues are in a static mode, this is the only manner to address the issue. **Mr. Puyear** explained when he chose to enter the profession he knew he would never become rich, and he understood the scope of the service he was to provide. However, attempting provide the same services at yesterday's dollars does eventually have an impact. He sees what is occurring in Montana as indicative of that reality.

SENATOR BOB STORY stated the bill uses the Consumer Price Index (CPI) which is based on all urban consumers. He asked, **Jim**

Standaert, Legislative Fiscal Division, if that is an applicable number for Montana. **Mr. Standaert** stated it is not specific to Montana but is a measure of the rise in consumer goods across the nation. **SEN. STORY** inquired whether there is another index that more appropriately mirrors Montana. **Mr. Standaert** indicated there is a regional CPI, but it is not published as frequently. He believes it is published quarterly. **SEN. STORY** asked how that index relates to the national index; specifically, is it higher or lower. **Mr. Standaert** replied he did not have that particular information at this time.

SEN. STORY, noting the method of calculation used in the fiscal note, asked **Ms. Quinlan** how the legislature would determine the growth factor in order to fund this bill in the second half of the biennium. Would it be necessary to provide **OPI** with an open ended appropriation? **Ms. Quinlan** stated the bill directs the legislature to take the best estimate in order to estimate funding. **SEN. STORY** indicated the bill does not allow the legislature to make a best guess estimate. He asked **Ms. Quinlan** to explain how an appropriation will work in the absence of solid numbers. **Ms. Quinlan** responded it might be necessary to rely upon the statute which allows the State Superintendent to seek supplemental funding in the event costs of K-12 education exceed funding.

SENATOR DON RYAN sought clarification on his understanding of mils. He asked, in the event a municipal government levies one mil for weed control or a library and taxable valuation increases due to growth, whether weed control receives more money. **Mr. Standaert** replied one mil is equal to one-thousandth of the taxable value. If the taxable value increases, the dedicated revenue increases. Assuming the same municipality, **SEN. RYAN** inquired whether the school district receives more money? **Mr. Standaert**--narrowing his response to the general district fund--stated a school district will not receive more money toward the eighty percent (80%) base budget; the district will adjust its mils downward in order to receive the same revenue it would have with a lower tax base. With regard to the over-base, or permissive, portion of funding, the same result will occur. If taxable value increases, the over-base levy must be reduced because the district is only allowed the amount it had in the prior year from property taxes. If the district would like to take advantage of more revenue and keep the same mils, it must go before the voters and request for that authority.

SEN. RYAN, referring to information provided by **Mr. Standaert**, and given that natural growth occurs, asked **SEN. KITZENBERG** if he believes, were this legislation to pass, money would roll to the

school district without having to seek additional levies year-after-year. **SEN. KITZENBERG** responded in the affirmative.

Closing by Sponsor:

{Tape: 1; Side: A; Approx. Time Counter: 30.5 - 38.4}

SEN. KITZENBERG expressed his appreciation to each of the interested parties. He believes the formula we presently use to fund education is pretty good; however, he has always thought there was a single inherent flaw in the formula: there is no inflationary factor. Inflation happens, it is a reality. In response to **SEN. STORY's** question on a regional CPI, **SEN. KITZENBERG** stated he is quite comfortable with modifying the bill to use that particular indicator. He emphasized, it is not which index is used, it is the fact that no index is used. **SEN. KITZENBERG** also shared his own experience as a high school teacher, noting pay increases are non-existent, health benefits are being eroded, and incentives to retire are increasing. He feels each of these lends to a lowering of morale. He would like to know when "education" became a dirty word. He concluded, expressing his appreciation to the Committee.

HEARING ON SB 92

Sponsor: **SENATOR DON RYAN**

Proponents: **Darrell Rud, Executive Director, School Administrators of Montana (SAM), in absentia**
Lance Melton, MTSBA
Madalyn Quinlan, Chief of Staff, OPI
Carter Christiansen,
Dave Puyear, MREA
Erik Burke, MEA-MFT
Joyce Deck-Wagner, Lake County
Superintendent of Schools

Opponents: **NONE**

Informational Witnesses: **Steve Meloy, Executive Director,**
Board of Public Education

Opening Statement by Sponsor:

{Tape: 1; Side: A; Approx. Time Counter: 35 - 42.5}

SENATOR DON RYAN, SD 22, Great Falls, brought forward **SB 92**, a bill which allows school districts to use either current averaging number belonging (ANB), or ANB calculated over a three year period when calculating their basic and total per-ANB entitlements, so as to minimize the effects of declining enrollment. **SEN. RYAN** noted this Committee has heard various testimony regarding how ANB is calculated, but regardless of how it is calculated when a school loses a number of children it does not eliminate the need for teaching a specific grade. He stated the present funding formula can essentially devastate a school when student numbers decline. Although other bills presently being considered allow for averaging, they do so in both directions. He noted this bill is distinct because it allows averaging only when numbers are declining. **SEN. RYAN** does not believe averaging should apply to increasing student enrollment because those districts desperately need the money to meet increasing demands on student services.

SEN. RYAN thinks school funding in Montana is the closest thing we have to revenue sharing with individual communities. By keeping a school alive, we may well be keeping the community alive. He noted several instances where communities are considering closing schools and how that decision will affect the surrounding community. **SEN. RYAN** encouraged the Committee to keep the "Norman Rockwell" image alive.

Proponents' Testimony:

{Tape: 1; Side: A; Approx. Time Counter: 42.6 - 46.5}

{Tape: 1; Side: B; Approx. Time Counter: 1.9 - 17.6}

Darrell Rud, Executive Director, SAM, in absentia, submitted written testimony **EXHIBIT (eds25a01)**.

Lance Melton, MTSBA, stated his organization concurs with remarks made by **SEN. RYAN** in his opening statement. **Mr. Melton** also expressed his appreciation to **SEN. RYAN** for carrying this bill. He explained the issue of averaging has been extensively addressed. He noted the Governor's School Funding Advisory Council decided averaging should only occur in the event a district has declining enrollment. The Interim Education Committee also reached the same conclusion; he noted the Committee specifically addressed whether inequity would result from allowing this in one direction but not applying it in the other. Because each problem is unique in the obstacles to be faced, the Committee concluded averaging is appropriate only when enrollment is going in a downward direction. **Mr. Melton** provided the Committee with information on the topic from a variety of states **EXHIBIT (eds25a02)**, noting each state averages only when

enrollment is declining. He reiterated his thoughts on Montana's choice, indicating averaging should only occur when enrollments are declining to assist those districts in difficult times.

Madalyn Quinlan, Chief of Staff, OPI, submitted written testimony **EXHIBIT (eds25a03)**.

Carter Christiansen, Southeastern Montana Schools, stated he is also a former superintendent of schools who governed for ten years under the formula established in **HB 667**. **Mr. Christiansen** provided his own knowledge regarding the effects of losing twenty students from a population of 280. He explained losses cannot be contained to the loss of one sixth grade teacher, guidance counselor, bus driver, or cook, it simply does not work that way. The district will be losing approximately \$80,000 in budget authority and will have to make across the board cuts in order to stay within budget. **Mr. Christiansen** expressed the support of the schools he represents, as well as his personal support, for **SB 92**, and expressed his appreciation to **SEN. RYAN** for bringing this bill forward.

Dave Puyear, MREA, stated his organization is in strong support of **SB 92**. He provided a personal example of the costs associated with the loss of twelve students in a district where he was formerly a superintendent. He asked the Committee for favorable consideration of the bill.

Erik Burke, MEA-MFT, conveyed his organization's support for **SB 92** as a positive way to address declining enrollments. **Mr. Burke** believes it will be necessary to find various methods of alternative funding this session, and believes this bill is a good start.

Joyce Decker-Wagner, Superintendent, Lake County Schools, testified, although she represents an area which is perceived as the "fast growing western part of the state," each of the districts in her county has lost ANB. The effects on services are extensive. She expressed her support and urged the Committee recommend Do Pass of **SB 92**.

Informational Testimony:

{Tape: 1; Side: B; Approx. Time Counter: 18.3 - 19.7}

Steve Meloy Executive Director, Board of Public Education, stated the Board has a significant investment in the legislation before the Committee. He explained the Chairman of the Board participated extensively in the Governor's Task Force. He stated

the Board has approved this approach for softening the effects of declining enrollments.

Questions from Committee Members and Responses:

{Tape: 1; Side: B; Approx. Time Counter: 19.8 - 30.5}

{Tape: 2; Side: A; Approx. Time Counter: 0.2 - 9.3}

SEN. STORY asked **Ms. Quinlan** if the declining enrollment rate is constant. **Ms. Quinlan** responded there is presently a softening in the rate of decline. The state-wide average was at two percent (2%). For the next two years they anticipate 1.8% and 1.5% respectively. However, she did note the difference in rates between districts can be vast. **SEN. STORY** stated, given the rate of decline, by the third year of averaging the district's average will be equal to the rate of decline. He asked **Ms. Quinlan** if it is correct that after the second year there is no advantage to averaging. **Ms. Quinlan** stated, though she does not disagree with the math, she does see an advantage to softening the effects of decline. **SEN. STORY** restated his understanding with regard to the fiscal note and suggested **Ms. Quinlan** consider the implications.

SEN. ZOOK stated **OPI** provided information which showed school staff numbers increasing while student population was decreasing. He asked **Ms. Quinlan** to explain. **Ms. Quinlan** stated the numbers of certified staff have actually declined since the charts were originally published. **SEN. ZOOK** asked **Ms. Quinlan** for the percentage of certified staff presently in the schools. **Ms. Quinlan** replied her office does not keep records for classified staff, therefore, she cannot provide a percentage. She can provide total numbers of certified.

CHAIRMAN GLASER inquired whether **Mr. Standaert** could make himself available to a sub-committee which will be addressing the issues discussed today and on Friday. **Mr. Standaert** indicated he would make himself available with information collected by his office. **CHAIRMAN GLASER** also requested **Mr. Standaert** make information previously compiled at his request available to the sub-committee as well. **Mr. Standaert** replied he would do so.

SEN. ZOOK, referring to **SEN. RYAN's** opening remarks regarding a school of eighty-eight students, asked if the school had considered combined classes. **SEN. RYAN** replied in the affirmative. **SEN. ZOOK** indicated he has seen cases where schools combine lower grades, resulting in financial savings and educational benefits to students.

SENATOR EDWARD BUTCHER provided information regarding consulting firms who assist schools in making necessary decisions. He asked whether averaging will allow a school to make necessary changes, or is simply putting-off the inevitable. **SEN. RYAN** stated districts are doing everything they possibly can at the present time. He does not believe we are funding education adequately. The present emphasis on per-pupil funding is inefficient and inappropriate. What this bill does is lessen the negative impact, it provides nothing for direct assistance. **SEN. BUTCHER** asked what amount is adequate? And, how far do we carry the per-student cost? **SEN. RYAN** stated those districts spending \$10,000 per student are not indicative of the entire state. He emphasized all this bill does is provide some protection for those districts that have been hardest hit and have the least ability to cover those losses. He explained at length the reasons underlying the need for averaging and reminded **SEN. BUTCHER** about the differences in the cost of education across Montana. He also referred to the present situation in Great Falls, noting how it is reflective of education across the state in that more pressure is being placed on administrators to continue providing services with less money to cover relevant costs. **SEN. RYAN** responded in part to **SEN. ZOOK's** query by saying he does not know when we will be able to afford to do it right. He only knows this is a correct measure for addressing the problems associated with the present funding formula.

Closing by Sponsor:

{Tape: 2; Side: A; Approx. Time Counter: 9.4 - 9.5}

SEN. RYAN closed discussion on **SB 92** without additional comment.

ADJOURNMENT

Adjournment: 5:15 P.M.

SEN. BILL GLASER, Chairman

TARI ELAM, Secretary

BG/TE

EXHIBIT (eds25aad)